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Trends in Customer Services and Interfunctional Coordination by Manufacturers

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Abstract

The purpose of the paper is to describe the most important trends by manufacturers producing electric equipment and electronic components in the Czech Republic. We focus on customer services and interfunctional coordination (IFC), part of market orientation. We prepared questionnaire in the form of the Likert scale. Sixty companies participated in our research. The crucial trends in customer services are: (1) New products are developed, tested and improved according to customer needs; (2) Respondents clearly understand strategic importance and benefits of providing customer services; (3) Provided products are both delivered in time and in very good technical conditions according to customer orders; (4) Respondents enable repeated using products by help of after-sale service, renovation or refurbishing items for their customers. The crucial trends in IFC are: some companies have gaps in (1) information coordination; (2) gaining and analysing information about external environment; (3) and attitude of their workers towards a company.

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Introduction

Today many manufactures try to be competitive through a portfolio of integrated products and services. This strategy is called as service-led competitive strategy. The process, through the mentioned strategy is fulfilled, is called as servitization. There are many well-known companies using this strategy such as: Rolls-Royce, Xerox and

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Alstom, which all suggest some form of extended maintenance, repair and overhaul contracts. The overhaul contracts could directly linked revenue generation to asset availability, reliability and performance (Baines & Lightfoot, 2013).

However, servitization is not only adding services to current products on the markets. It is potentially about viewing the manufacturer as a service provider. This service provider is willing to improve company processes through right chosen business model rather than product-based innovation. Then the manufacturer focuses its design and production-based competences to give widespread improvements in efficiency and effectiveness to the customer. Therefore customer services are connected with relationship with customer orientation, which is part of market orientation.

Another interesting research area is IFC. Many scientists are concerned with theoretical issues of IFC. The main present research questions discussed now are following ones: (1) what IFC contains or how to define IFC; (2) how to categorize IFC; (3) is there any connection between marketing, logistic and management conception of IFC; and (4) what kind of barriers are connected with implementation of IFC.

For the above mentioned reasons, the aim of our paper is to describe the most important trends in customer services and implementation of IFC at companies producing electric equipment and electronic components in the Czech Republic. This segment is very important for industry today. Many companies in this segment are subcontractors for car industry and mechanical engineering. Customer services are connected with relationship with customers; customer orientation and IFC are the main two parts of market orientation.

1. Literature review

There are a lot of definitions describing customer services. In general, customer services are everything, what company does for satisfaction of its customers. Services help to gain higher profit from sold products. Quality and customer services present strong barrier against the competition, ensure customer loyalty, differentiate product, decrease marketing costs and increase agency (Bovéé & Thill, 1992).

The definitions usually perceive customer services with not similar view. The classification scheme was done to divide customer services according to four different approaches (Kanovska, 2009): (1) Integration of intradepartmental activities, which usually involve the oldest definitions of LaLonde & Zinser (1976), Rinehart & etc. (1989) and Pernica (1998). (2) Logistic view, assuring product delivery from producer to customer. This view is seen by Horáková & Kubát (1999) or Christopher (2000). (3) Marketing view, maximum effort to satisfy customers. Services can add value to product, see Bovée & Thill (1992), Horovitz (1994), Amico & Zikmund (2001), Kotler (2001), Spáčil (2003) and Pernica (1998). (4) Relationship with customers, it is the newest view on customer services, Lehtinen (2007).

The classification of customer services shows different ways of perception customer services by a lot of authors. This diversification of views on customer services is very interesting and profitable, because it is enable to think more about whole problems. Then there is a possibility to accept some approach or add a new one. Mainly it helps to develop whole field and deepen scientific investigations to other dimensions. According to our opinion “customer services” are best defined by authors Amico & Zikmund (2001), which states, that services help to increase value of sale products to strengthen customer satisfaction. Then it is suitable to complete this definition with a part of statement from LaLonde & Zinser (1976), that services simplify sale and using product. The following definition for customer services constructed from above mentioned can be: „Customer services help to increase value of sold products, because they simplify sale and using products to strengthen customer satisfaction“. (Kanovska, 2009)

There are many different notifications for customer services used by below mentioned authors, e.g. industrial services (Matthyssens & Vandenbempt, 1998); product-related services (Matthyssens & Vandenbempt, 1998); product-services or product services (Mathieu, 2001); customer services (Richardson, 1995, Baggs & Kleiner, 1996, Leech, 1995, Leppard & Molyneux, 1994, Boveé & Thill, 1992, Amico & Zikmund, 2001); after-sale services (Richardson, 1995, Baggs & Kleiner, 1996, Leech, 1995, Timm, 2001, Sterne, 2000, Boveé & Thill, 1992, Amico & Zikmund, 2001); customer support (Armistead, 2001). (Kanovska, 2009)

This ambiguity in notifications of customer services can cause some inaccuracy in right determination of the type of services. It can lead to possible misunderstandings and discrepancies.

IFC can be marked as a harmonization of all internal functions and processes in a company. It refers the degree of cooperation between the different functions (departments) within a company (Tay & Tay, 2007). A lot of authors, e.g. Slater & Narver (1995), Harris (1996), Lafferty & Hult (2001), Kaňovská & Tomášková (2012) identify IFC as a one of barriers for implementation of market orientation.

It is possible to divide definitions of IFC into four groups (Bartošek & Tomášková, 2013): (1) Quantitative view – IFC is presented as a category, which department has to implement, e.g. Lawrence & Lorsch (1967), Kohli & Jaworski (1993), Mentzer (2004), Zahra & George (2002), Tay & Tay (2007), Peng & George (2011), Ramanathan, Gunasekaran & Subramanian (2011). (2) Qualitative view – IFC is presented with own characteristics, e.g. Day & Klein (1987), Chopra & Meindl (2009). (3) View of goals – IFC is accented as a positive factor influencing business performance, e.g. Cheng et al. (2010), Hingley et al. (2011). (4) Marketing view – IFC is connected with benefits for customers or customer satisfaction, e.g. Narver & Slater (1990), Zao & Cavusgil (2006)

Many authors use quantitative point of view. According to Farzard et al. (2008), implementation of IFC is important presumption for integration all departments and all activities, for improving structure and strategy of a company, and for implementation of market orientation. Implementation of IFC includes analysis focused on all internal processes and relationship with external environment. A company should especially aim to improve relationship with customers, suppliers and attend to activities of competitors.

Many authors try to find out the main problems connected with IFC. Management with its knowledge, expertise, experience and skills represents one of the main barriers of IFC. The next barriers of IFC can flow from information coordination (gaining, analysis, application), organizational structure (cooperative arrangements, systems, procedure) and corporate culture (communication and relationship, cooperation, commitment, ethic and trust). (Bartošek & Tomášková, 2013)

2. The research design

The aim of the research is to find out current strategies and trends in customer services and IFC. Companies producing electric equipment and electronic components in the Czech Republic have a long-time and strong tradition in our country and are very important for industry today, especially as subcontractors for car industry and mechanical engineering. The producers of electric equipment comply with the Czech industry classification CZ-NACE 27; the producers of electronic components are included in classification CZ-NACE 26.

Both these productions are marked as very high-quality production structured in the category of high-tech products with medium difficult technology. The level of electric equipment and electronic components industry exceed the average rate of the European Union.

3. Methodology of the research

The questionnaire with a part specialized on customer services and with a part specialized on ICF was prepared. The questionnaire was partly used from our previous researches (Kaňovská & Tomášková, 2012; Bartošek & Tomášková, 2013) and was extended by some new questions. The part focused on customer services includes the following sections: Service Supply, Importance of Customer Services and Customer Service Delivery. The part about IFC includes sections: Leadership, Information Coordination, Organizational Structure and Corporate Culture. The questionnaire involves section about Company Performance and General Questions as well. The questionnaire has Likert scale form, the range of Likert scale was from 1 (No, I don't agree) to 5 (Yes, I agree).

The respondents in the research were usually directors or managers from companies producing electric equipment and electronic components in the Czech Republic. Total of 60 SME were included in the survey. The data was collected during last year, from February to November 2014. The research was focused on the following industries classifications belonging to CZ-NACE 27 (The production of Electric Equipment): CZ-NACE 27, CZ-NACE 271, CZ-NACE 273 and CZ-NACE 26 (Manufacture of computer, electronic and optical products): CZ-NACE 26.1, CZ-NACE 26.3, CZ-NACE 2651, CZ-NACE 266. The company selection was made by using the database of the Kompas Czech Republic Company. The firms were contacted over the phone or by email and asked to fill in a web-based questionnaire. The complete database was analysed by using standard statistical methods as well as other sophisticated techniques. Incomplete questionnaires were discarded.

4. Results

The next part of the paper describes the main results of our research. We focused on stressing the most interesting trends used by current manufacturing companies. The trends were divided to two parts: trends in customer services and trends in ICF.

4.1. Trends in Customer Services section

The most interesting trends in customer services in four subcategories of the research - Service Supply (2 items with the mean value both 3.68), Importance of Customer Services (3.65), Customer Service Delivery (3.70) and Ecological aspect of customer services (3.3) - are mentioned in table 1. Table 1 shows the items selected according to their mean values.

Table 1. Items with the highest value

Item of questionnaire	Mean value
Provided products are both delivered in time and in very good technical conditions according to customer orders.	3.70
Extraordinary customer services focused on speed, personal communication and price are provided for so-called VIP customers.	3.68
New products including services are developed, tested and improved according to customer needs.	3.68
Respondents clearly understand strategic importance and benefits of providing customer services.	3.65
Respondents enable repeated using products by help of after-sale service, renovation or refurbishing items for their customers.	3.3

In general, all first findings from the research held by current Czech manufacturers show the importance of customer services. Respondents recognize strategic importance of customer services and perceive the benefits coming from providing services (3.65). Moreover new products including services are managed according to customer needs to satisfy customers better and be more competitive on market (3.68). The third stressed point is delivery evaluation. Products are delivered in time, in good conditions and according to customer orders (3.70). We were also interested in the perception of ecology by present manufacturing companies. Results are surprising too. Respondents enable repeating of product use by help of after-sale services, renovation or refurbishing items for their customers (3.3).

4.2. Trends in ICF section

The results of the research confirm that the companies assume a positive attitude towards organizational structure. Mean value of items evaluating organizational structure is 3.99. The second interesting result shows strong position in leadership style. Mean value of items evaluating leadership style is 3.94. Besides, the companies have some gaps in gaining and analysing information. Mean value of items evaluating the field of gaining and analysing information is 3.48. Information coordination is not in perfect condition. Mean value of items analysing data flow is 3.52. The items with low and high value of IFC are presented in Table 2.

Results show that a lot of companies included in the research have positive approach to innovations (4.15). Moreover, they relate to companies with high-tech production. Companies producing high-tech products are characterized as flexible, team working and cooperative. Results of the current research confirm our previous results about IFC at hi-tech companies. (see Kaňovská & Tomášková, 2012).

Table 2. Three items with the lowest mean value of IFC and three items with the highest mean value of IFC.

Item of questionnaire	Mean value
We take a positive approach to innovations.	4.15
We try to be flexible.	4.12
We prefer teamwork and mutual cooperation.	4.05
Workers identify with a company and strengthen its image.	3.36
We take a positive approach to all information communicated by stakeholders.	3.35
We aim mostly on external environment than on internal environment.	2.93

The item with the lowest value shows that the companies prefer detailed monitoring internal environment than external environment (2.93). This assumption is supported with the item evaluated positive approach to all information communicated by stakeholders (3.35). Managers have some gap in attitude towards the company. The item “workers identify with a company and strengthen its image” is on the third lowest position (3.36).

Conclusions

The paper offers a new view on theory of two important parts of market orientation – customer services and ICF. Both parts help to improve customer orientation dramatically. Theoretical background both topics with the focus on industry is very broad but still not well described.

Firstly, findings in customer services confirm their importance for producers of electric equipment and electronic components. Respondents recognize strategic importance of customer services; perceive their benefits and products are managed according to customer needs, incl. product delivery. Secondly, ICF results show that it is possible to divide definitions about ICF into four groups, whereas quantitative view of definitions is more often. Implementation of ICF is based on take the fences connected above all with management, information coordination, organizational structure and corporate culture.

Finally, results confirm our assumption that companies with production of electric equipment and electronic components are characterized as hi-tech companies for their teamwork, cooperation, flexibility and positive approach to innovations. Nevertheless, the companies perceive some threats in the fields: a lack of gaining and analyzing information about external environment. Simultaneously, managers should positively influence all workers for their easier identification with company activities. This could be very attractive future area for more detailed research.

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